

Superpack Corporation Limited

AR23

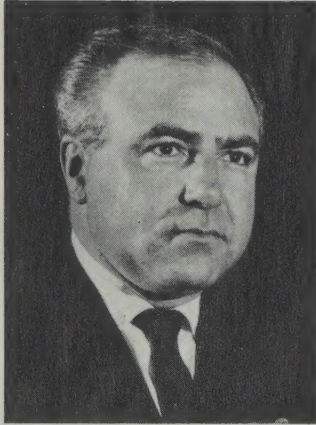


1970 Annual Report



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Letter from the President

I am particularly pleased to report to you this year since this represents the tenth Annual Report issued by the Company.

When we commenced business early in 1961, it was with a concept only, a concept that has not only proven itself but has formed the base which has allowed us to expand into four different industries with offices, plants and warehouses internationally located in 26 cities, in four countries.

During this ten year period, the Company has gone through two difficult times in the world economy but has never once had an unprofitable year. I am particularly proud of that record.

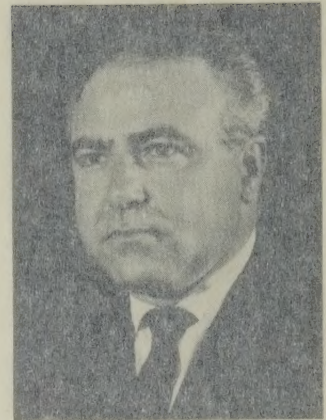
As I reported to you in the 1969 Annual Report and in the 1970 Quarterly Reports, certain problems continued to affect our operations in the past year, resulting in a decline in profits to \$240,520 (42¢ per share) from the 1969 profit of \$375,059 (68¢ per share), before extraordinary items. As a result of the revaluation of the Canadian dollar in 1970, there was a foreign exchange loss of \$36,812 (7¢ per share). Certain of the problems which affected operations in 1970, such as the strike at our Nortex Products Company plants in Toronto and the trucking strike in the United States which seriously affected shipments of products there, have now of course been resolved. However, the effects of the economic downturn in 1969 and 1970 are still being felt in some of our divisions, particularly Scholarship Consultants of North America Ltd., which is only just now beginning to feel the return of consumer confidence in the economy.

As a result of the international aspect of our business and in light of our tenth anniversary, we have this year expanded the scope of the Annual Report to provide you with a more comprehensive picture of all of our divisions so that you can appreciate the diversity of our operations. We feel that each of these fields lends itself to continuing expansion and we feel that further growth should be possible in all of them, both through expansion of their present facilities or establishment of new branches in other geographic areas where they are not now located.

Together with my fellow directors and the employees of all our divisions, I look forward to a second decade of continued profits and expansion.

For the Board of Directors
THEODORE D. RICHMOND, President
Toronto, Ontario, Canada, May 5, 1971.

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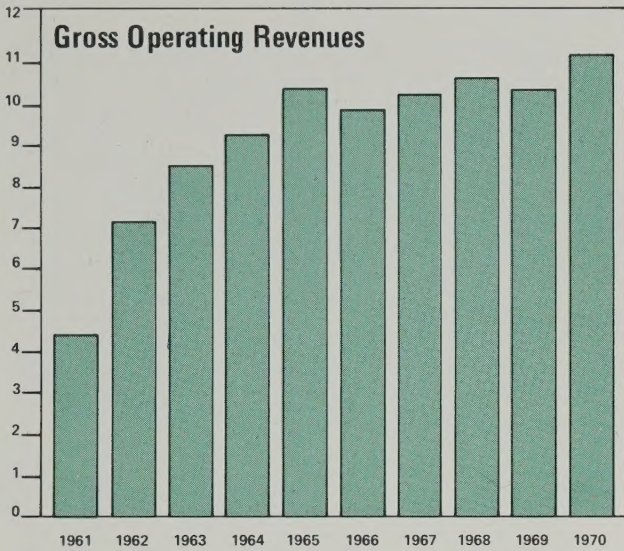
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10th Anniversary Year

\$ Millions

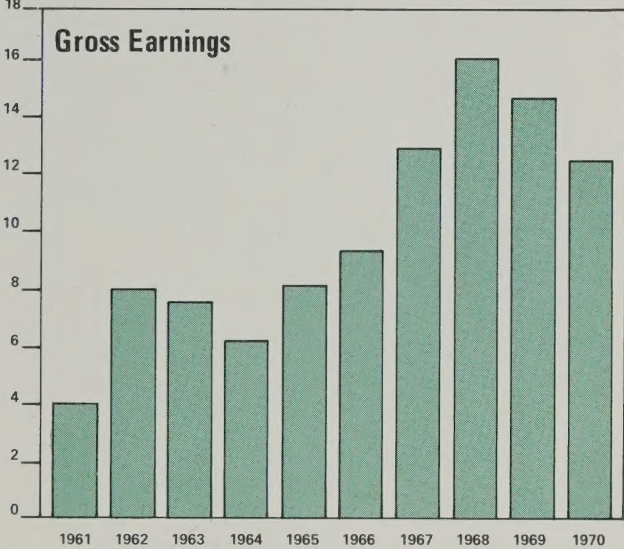
Gross Operating Revenues



The total assets of your Company have grown from \$1,727,503 in 1961 to \$11,566,543 in 1970. Square footage employed by the Superpack group of companies has risen from approximately 13,000 square feet in 1961 to over 400,000 square feet in 26 cities located throughout the world in 1970.

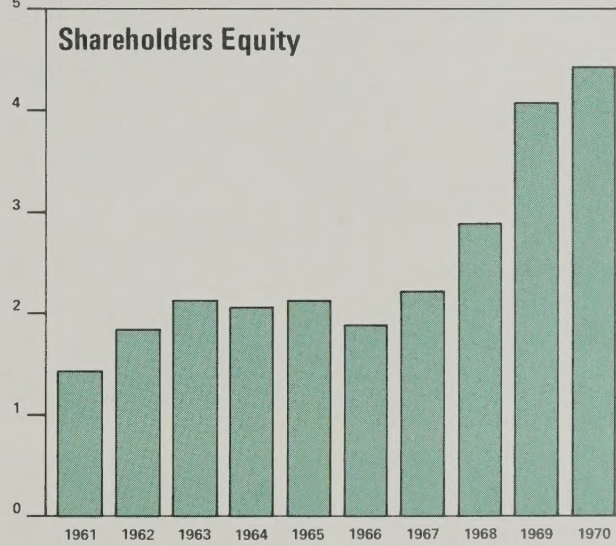
\$ Hundred Thousands

Gross Earnings



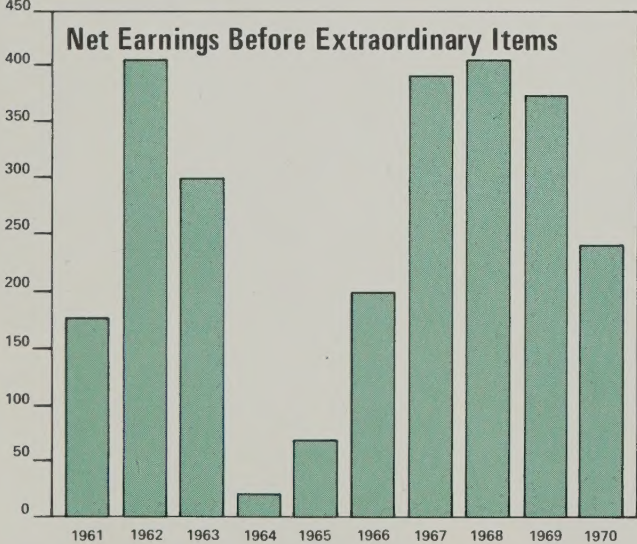
\$ Millions

Shareholders Equity



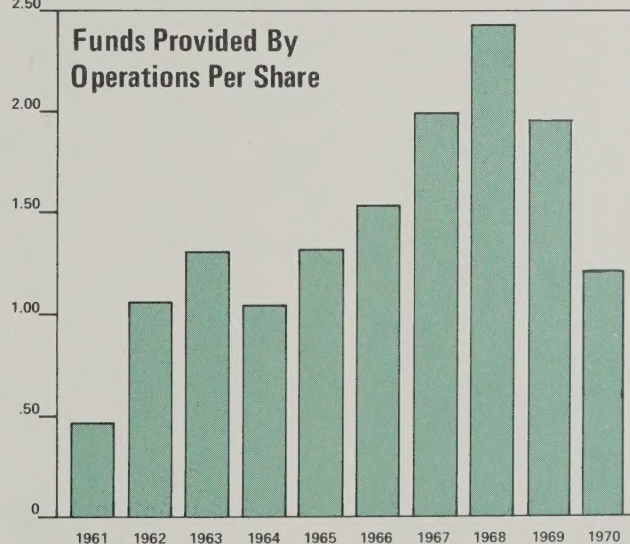
\$ Thousands

Net Earnings Before Extraordinary Items



Dollars

Funds Provided By Operations Per Share



Housewares Division



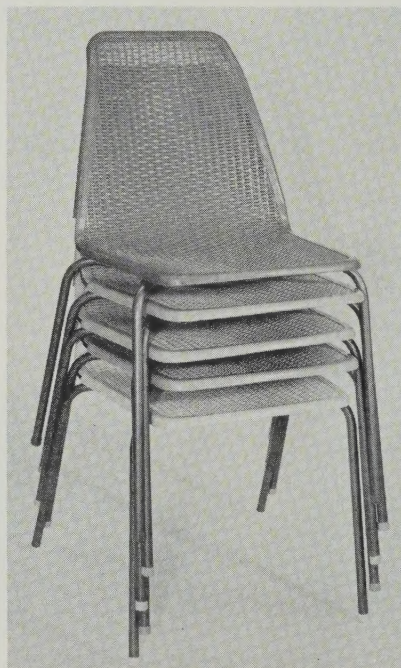
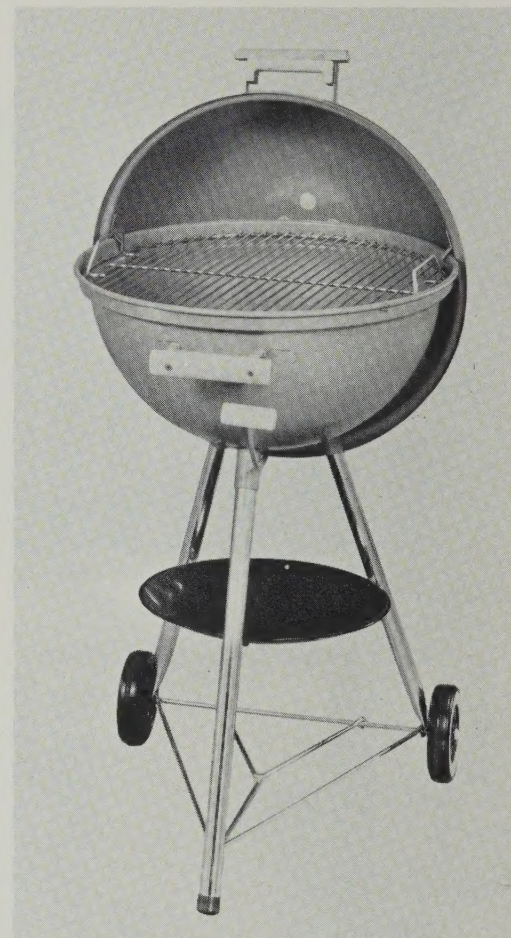
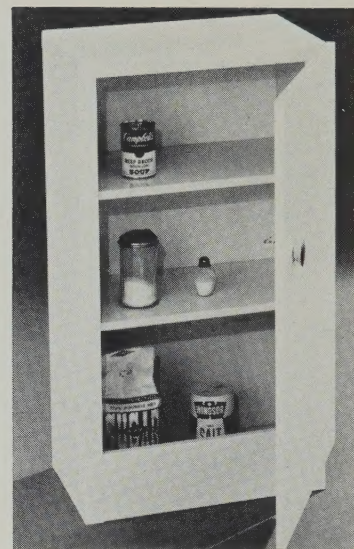
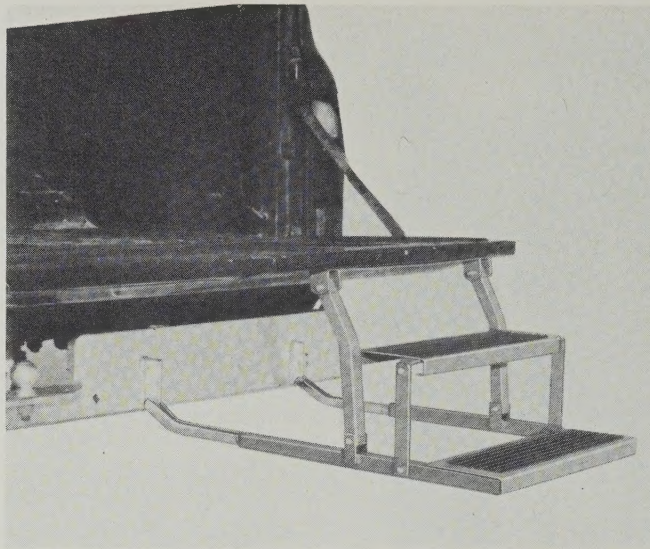
Nortex Products Company, a division of the parent company, manufactures the vending machines for the Superpack vending companies. The value of these machines accounts for approximately 3% of Nortex Products' total annual production.

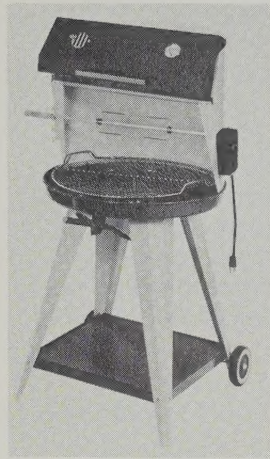
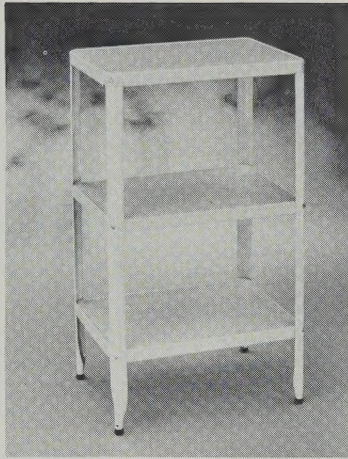
Nortex Products' main markets are the housewares departments of the major retail and mail order department stores, national chain stores, major stamp incentive organizations and mail order companies, as well as the large buying groups of hardware stores across the nation. As many of our shareholders know, Nortex Products is one of the biggest manufacturers of its kind in Canada. The housewares line, as shown in the accompanying pictures, among others consists of chairs, bar and step stools, floor and bathroom metal utility cabinets, book-shelving units, utility tables, folding tables, games tables, umbrella tables and barbecues.

Nortex Products has entered the export market with its line of barbecues, which are now being sold through distributors in the United Kingdom, Holland, Belgium and Germany.

During the first quarter of 1971, Nortex Products obtained the exclusive Canadian rights to manufacture and sell a unique device, called the 'Handi-Step'. It consists of two folding steps that fit on the tailgate of a pick-up truck, folding out automatically when the tailgate is lowered to provide easy, effortless access to the back of the truck. First production runs are now being completed.

Nortex Products presently has approximately 100,000 square feet in its manufacturing and warehousing facilities in Toronto, with additional warehouse space in Montreal and Vancouver. The manufacturing facilities comprise a fully automatic and conveyorized electrostatic spray painting department, tube and sheet metal fabrication departments, upholstery and assembly departments. The facilities afford the Company a wide variety of skills which have been developed over the past 20 years of manufacturing.





Vending Division

The first major breakthrough in vending technology in 30 years occurred in 1961 when Superpack developed CYLINDRAMATIC vending — the dispensing of products packaged in cylinders via efficient, high-capacity vendors.

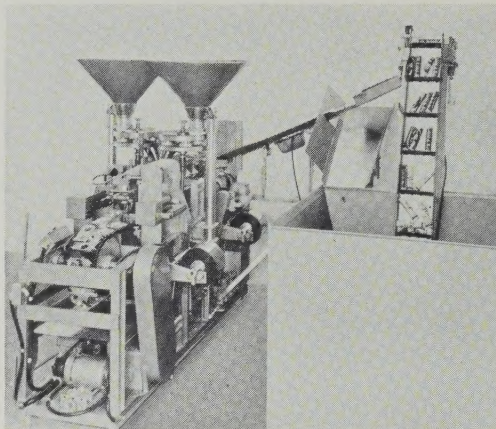
When Superpack commenced business in 1961, it had as its most important assets a revolutionary concept in coin-operated vending equipment and packaging, and the strong belief that automatic merchandising is one of the most dynamic, fastest-growing industries in the world. Our progress has strengthened this belief.

Ever since the vending industry became big business, equipment manufacturers have sought to increase vendor capacity. Through our development of CYLINDRAMATIC vending and packaging, which is explained more fully on the opposite page, not only were we able to do this, but at the same time we were able to substantially reduce the cost of vending equipment.

In 1961, while we were in the process of setting up our unique operations for the packaging of detergents and bleaches, we began distributing polyethylene bags packed in cylinders for vending in automatic coin laundries. The success of this operation has led to the placement of our equipment and products across Canada, the United States and the United Kingdom.

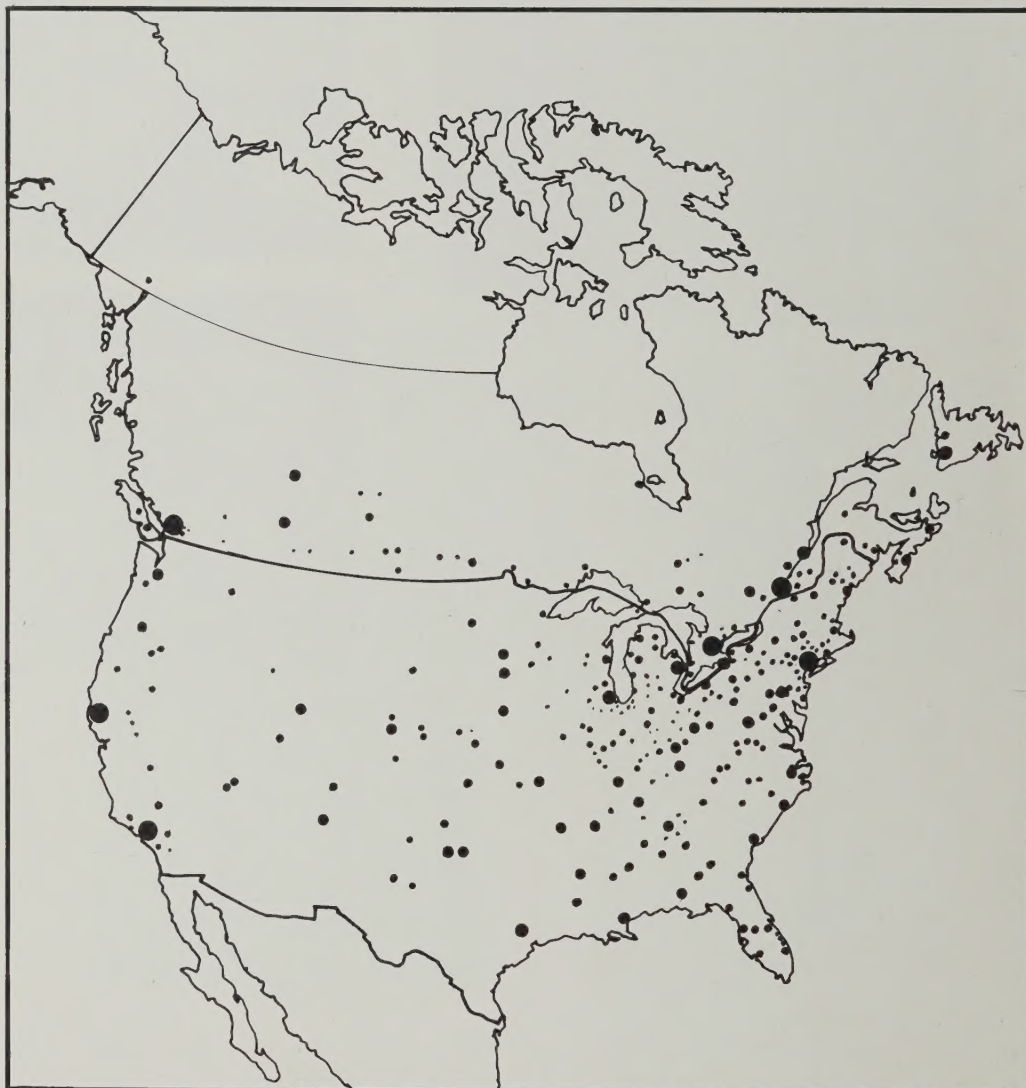
Three groups of patents have been granted to the Company. They are on the vending machine, on the cylindrical tubes and on various aspects of the packaging machine that packages the products. Patents have been issued in the following countries: Canada, United States of America, Great Britain, France, Italy, New Zealand, Australia, Switzerland, Germany, Sweden and Holland.

During the first quarter of 1971 Nortex Products, the manufacturer of our vending units, developed a new type of machine for the automatic vending of newspapers. Designed within the company, first machines are soon to be delivered to a major Canadian daily newspaper, and sales to other major newspapers are pending.



Cyldramatic Packaging Machine

Your Company is now represented in over 43,000 laundrettes located in all the major cities in North America and the United Kingdom as shown in the accompanying maps.



Cylindramatic Vending

The growth of your company since 1961 has been the result of doing something better than anyone ever has before. For Superpack, this means producing both the machines and the specially designed packages they vend so that our units hold more product, virtually eliminate repair problems and require no investment on the part of the location owner. We call this development "cylindramatic vending."

Superpack vends the products it sells in spiral-wound, paperboard containers. Plastic bags are wedged into these cardboard tubes tightly enough so that they don't fall out, yet are easily removed by the housewife. When laundry products are packaged in the cylinders, the ends are heat-sealed with thin, polyethylene film that protects against moisture and spillage. The tube is designed to contain a plastic bag of specific size (your company vends these in 10 cent and 25 cent sizes) or the exact amount of product needed for a perfect wash. A series of short, slanted arms, motivated by gravity, permit our vendors to hold up to six times more product than similar-sized units that contain traditional, rectangular packs heaped one on top of the other. Our grants of patents on this special form of packag-

ing have effectively secured our position in "cylindramatic vending" in the future.

Superpack's engineers and designers had solved the three basic problems of cost, servicing and capacity that were plaguing the retailer of laundry supplies through coin-operated equipment. To the vending machine and packaging industries, the effect of this achievement has been indeed favourable.

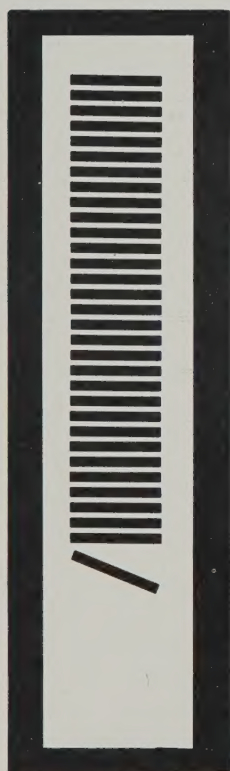
By holding more product, the Superpack "cylindramatic vendor" requires fewer visits from a service man for refills. These visits are one of the major costs to a distributor. In many cases, the installation of our unit has reduced the number of visits to one, where previously four had been necessary. For the location owner, a Superpack placement can mean as much as six times the amount of revenue he formerly derived from a machine that occupied the same amount of space.

Because the cylindrical packages are gravity-fed, (triggered by the insertion of a coin and dispensed by their own weight) the only moving part in the entire mechanism is the coin chute. As a result, repair problems are minimal. Again, this is a double blessing for both distributor and location owner. The units are virtually worry-free, and no selling time is lost.

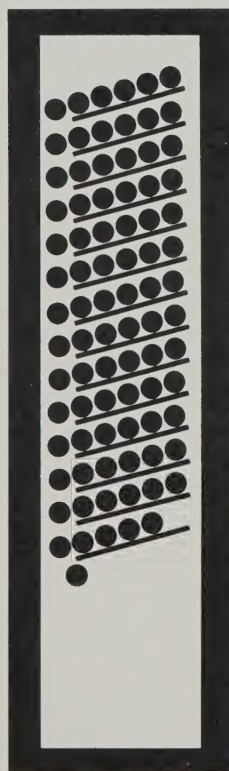
Because your company is basically a packager, our business is dependent not on selling machines but on selling products. This is one of the differences between Superpack and those firms that may more properly be categorized as "vending machine companies." In the case of Superpack, each time we make an installation, we have "franchised" a "mechanical merchant" who sells our packages from that time forward, providing us with a measurable, geometric extension of sales and profits.

From its inception, your company has opened a whole new frontier of profits in coin-op laundry supplies to both the distributor and the location owner.

Through continual marketing surveys we have learned that our best results come from packaging products that are nationally known and advertised. We are continuing to conduct tests of "cylindramatic vending" with products outside of the laundry supply field. The impact of "cylindramatic vending" in these fields could equal or exceed the success we are already enjoying in coin-operated laundries.



OLD FASHIONED VENDING
Conventional vendors use only two dimensions: height and width



CYLINDRAMATIC VENDING
Utilizes height, width, and the third dimension: depth—increasing capacity up to six and-one-half times



Packaging Division



Scientific Packaging Corporation, with its three plants in Elizabeth, New Jersey, St. Louis, Missouri and Los Angeles, California, accounts for approximately 53% of the total sales volume of the overall Superpack group of companies.

Scientific Packaging packages coin laundry products in both cylindrical and rectangular packages and through its wholly-owned subsidiary, Coin-Op Sales Corporation, sells these products to distributors throughout the United States who in turn sell to coin laundries. In addition to the packaging and distribution of name brand products, Scientific Packaging also packages and distributes its private label products supplied exclusively for Scientific Packaging by an outside supplier.

A significant sales volume is also done in plastic laundry bags and in the last several years, Scientific Packaging has done its own extrusion of polyethylene and manufactures these bags.

Recently, the Company received an order to package a brand new product for Pillsbury called 'Pop & Clean', which we have pictured on the next page. The initial run for this product is four million packages. This represents an entry into a new field of marketing for your Company.

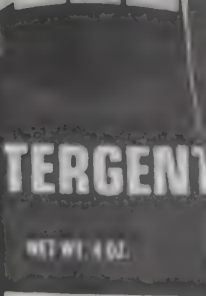
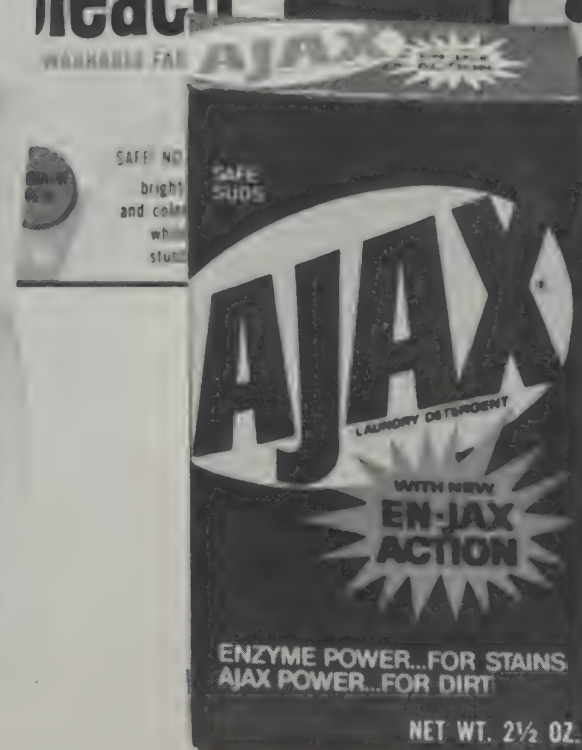
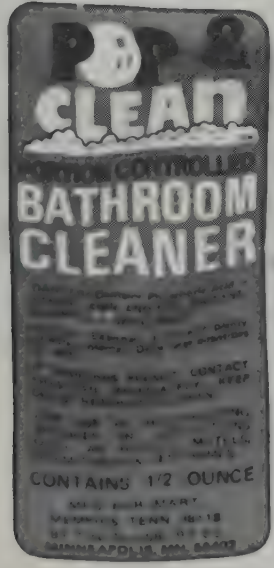
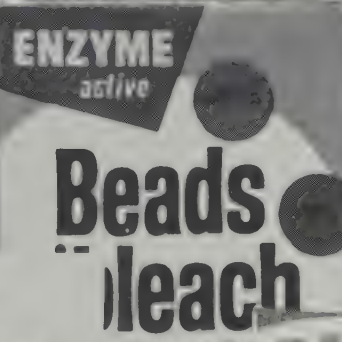
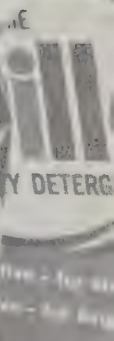
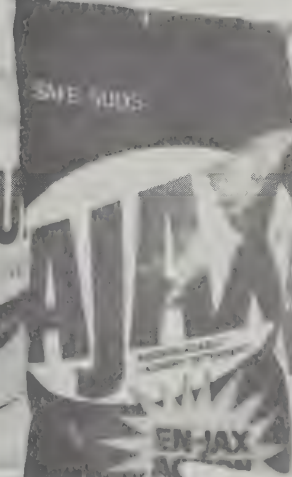
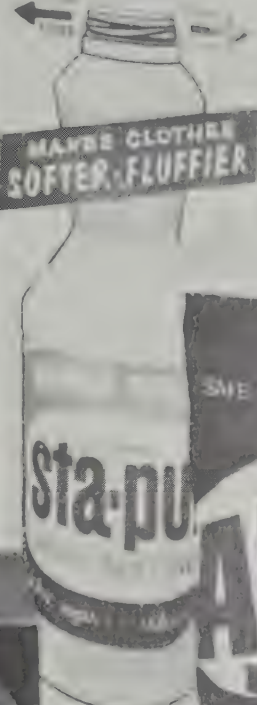
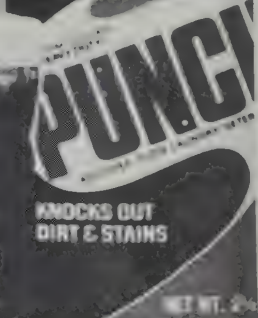
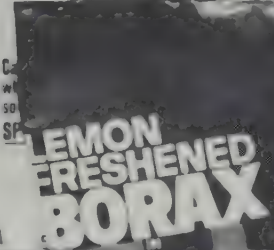
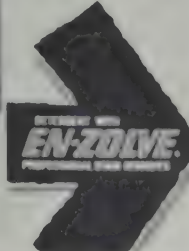
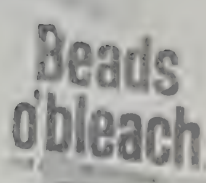
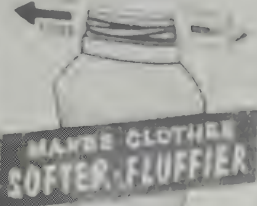
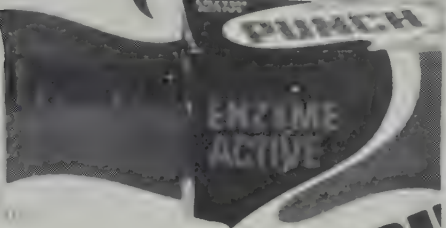
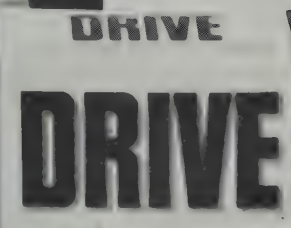
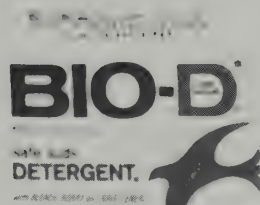
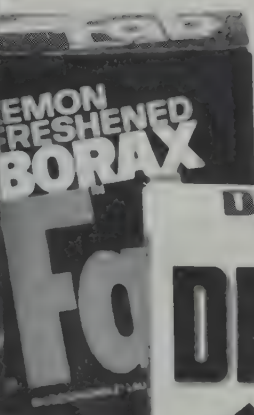
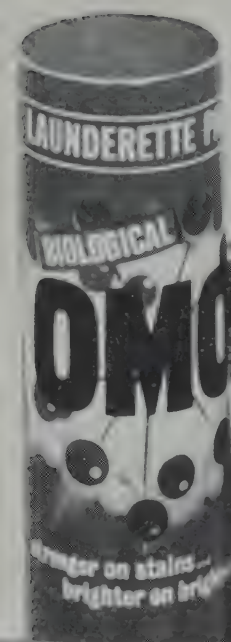
Scientific Packaging packages and distributes cylindrical and rectangular packages or products provided by such major companies as Lever Brothers, Colgate-Palmolive, Proctor and Gamble, Purex, etc. Scientific Packaging uses two types of vending machines, the cylindrical tube type and the rectangular box type. These machines are placed either on a prepaid rental basis or a combination price of product and machine that amply covers the cost of the machine in the initial order. All cylindrical vending machines are manufactured by Superpack, in Toronto.

Scientific Packaging obtained patents on certain aspects of their polyethylene liquid package which made the unique Liqui-Pak a desirable form of packaging. Some of the Company's packages are shown on the opposite page, and are for individual coin vending.

Nortex of Canada Limited's packaging plant is situated near London, England, in Hounslow (Middlesex), with seven public warehouses storing and shipping completed cases of coin laundry products throughout the United Kingdom. These seven locations were chosen to economically and efficiently distribute

the products throughout the U.K. The Company packages Unilever's Omo and Persil as well as its own brand names of detergent and bleach and a heavy duty additive. In addition, it buys plastic laundry bags from outside suppliers and re-sells them in the cylindrical form of package. The English operation uses only the cylindrical type of vending machine. There are two packaging machines in the London, England plant which are necessitated by the difference in size between Omo and Persil and the private labels Superbrite, Quikbrite, Enzo and Disol-Vol. It is estimated that out of all new openings of coin laundries in the London area, Nortex of Canada provides vending machines to approximately 80 to 90 percent. The vending machines are all manufactured in Toronto by Superpack. In England, there is no prepaid rental charge on the machines. However, the initial sale is a combination of product and the loan of the machines which recovers the cost of the machines on the first order.

Canbar Distributors Limited is located in Montreal and distributes coin laundry products to coin laundries in Quebec and the Maritimes. Superpack Vending Company, a division of the parent company, shares space with Nortex Products Company and packages the coin laundry products in cylindrical tubes for the requirements of both Canbar Distributors and itself. The major brands packaged in Toronto are All, Breeze and Javex, products of Lever Brothers and Bristol-Myers. Both Canbar Distributors and Superpack Vending also distribute plastic bags in tubes which are bought from an outside supplier.



Scholarship Consultants Division



The total amount on deposit under the University Scholarships of Canada program continues to increase steadily and showed an increase of \$2,778,087 between April 30, 1970 and November 30, 1970. The general economic conditions in Canada during the period with the attendant unemployment and economic insecurity did, however, have the effect of slowing the rate of new enrolments.

With the recent up-turn in economic indicators, the company looks forward to an early return to previous growth rates.

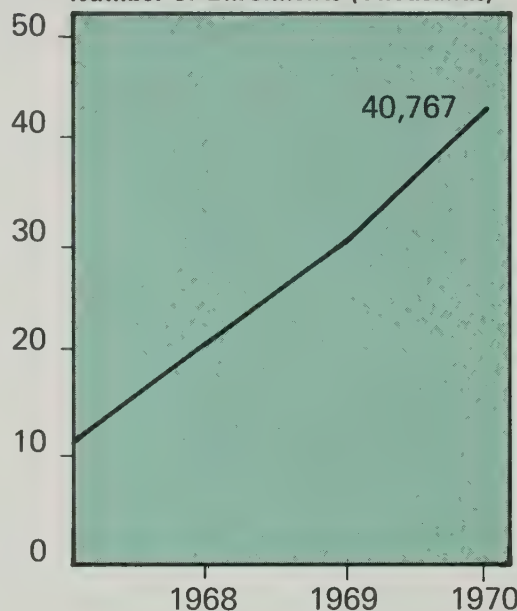
The potential market for University Scholarships of Canada, in Canada alone, is enormous. For the last year for which total figures are available, 1967, there were 4,451,800 children between the ages of 0 to 9 years old. Based on the 1967 birth rate of 18.2 per 1,000, the total population by 1980 in this age range would be 4,824,000. Considering that our present enrolment includes only approximately 43,000 children, less than 1% of the total market in Canada, and bearing in mind the increasing economic and social pressure for higher education, University Scholarships of Canada should be able to achieve a much higher proportion of the total market over the next ten years.

We are often asked why the subscribers' funds are maintained in individual savings accounts rather than placing them in a pooled investment fund. It has been suggested that even though a premium interest rate is earned on the savings accounts the return would be improved through the use of an investment fund. The Foundation's first concern has always been the safety of the subscribers' savings and the security of the scholarship trust funds and for this reason the individual savings account method was adopted. The experience of the last year and its effect on the value of stock portfolios has certainly vindicated

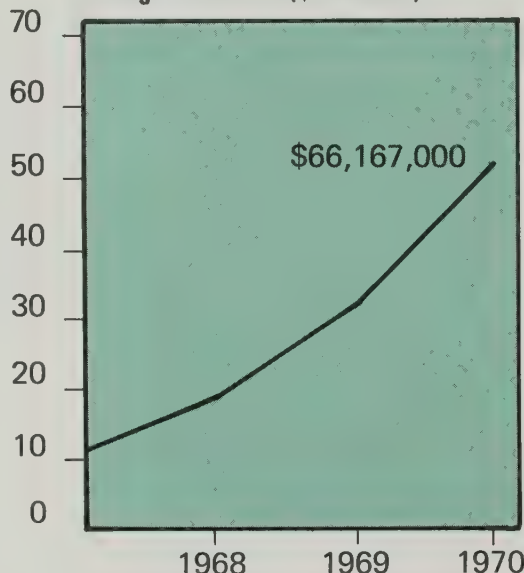
the decision of your Board in the treatment of subscribers' funds. Subscribers' savings accounts are fully insured by the Canada Deposit Insurance Corporation.

We believe that our scholarship program continues to meet a real need among parents in planning for their children's future. We believe that through our scholarship program we are making it possible for more young people to go to university and hopefully be able to use our new technology constructively in an increasingly complex environment.

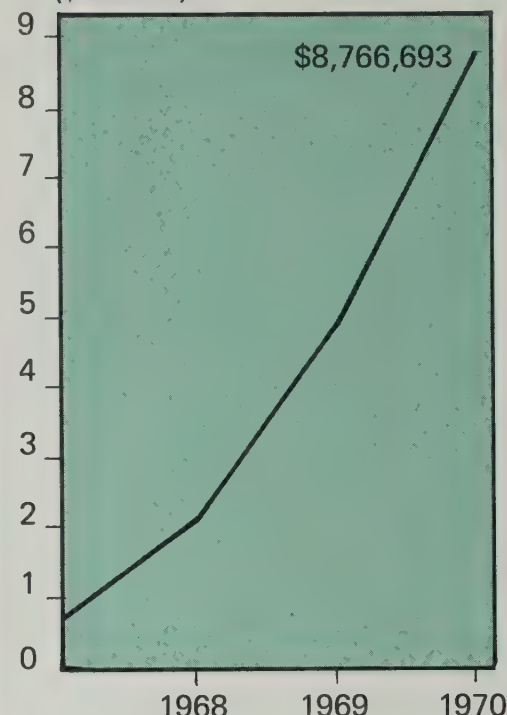
Number of Enrolments (Thousands)



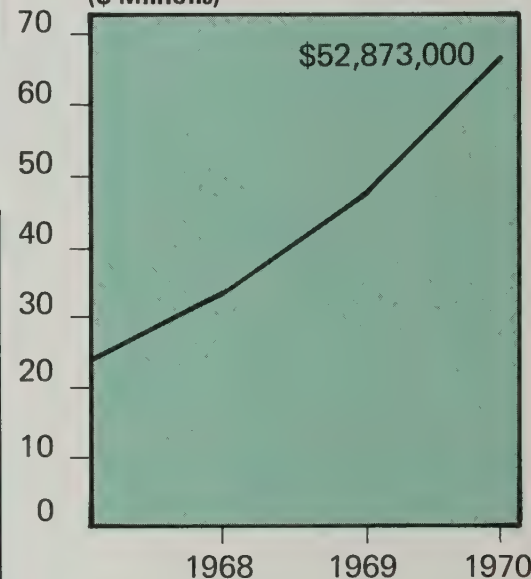
Projected principal in Subscribers' Savings Accounts (\$ Millions)



Principal and accumulated interest on deposit in Subscribers' Savings Accounts and Trust Accounts (\$ Millions)



Projected accumulated interest in Subscribers' Savings Accounts (\$ Millions)



What Is University Scholarships of Canada?

University Scholarships of Canada is a co-operative trust fund administered by The International Scholarship Foundation, an educational foundation. The International Scholarship Foundation makes available, through University Scholarships of Canada, a program especially designed to provide parents with needed funds for their children's university education. It is organized as a co-operative trust fund in which the thousands of parents subscribing to the plan have joined together to help each other. This co-operative program works as follows:

1. All children under ten years and four months of age can be enrolled in University Scholarships of Canada. Enrolment may be instituted by parents, grandparents, uncles, aunts and any relatives who are interested in the future of specific children. Companies, service clubs, fraternal organizations, trade unions and other groups may also sponsor children for participation in the program.

2. When children are enrolled with University Scholarships of Canada, an individual scholarship savings account is opened in each child's name with a leading Canadian trust company. These savings accounts are under the parent's personal control at all times. All deposits are fully insured by the Government of Canada with the Canada Deposit Insurance Act.

3. Each participating parent in the program donates only the interest that is earned on his scholarship savings account. It is this combined interest which provides the scholarships for all eligible children enrolled in the program. This interest, which is donated by all participating parents is placed in a scholarship trust fund and held under a deed of trust which is irrevocable. It can be used for no other purpose than to provide scholarships or other educational assistance.

4. The program is designed to enable each parent to donate the same amount of interest as the other participating parents. The amount deposited regularly is always the same and never changes. These deposits are based on the age of the children at the time of enrolment. The younger the child, the lower the deposit. The older the child, the larger the deposit, but fewer deposits are made. This is truly a co-operative trust fund.

5. Scholarships are paid without regard to other scholarships or other sources of financial support, including government aid. When the children are ready to enter university, the parent receives all the money saved in the scholarship savings account less the enrolment fee of \$175 which is deducted from the regular deposits. These savings provide assistance for the children's first year at university. Then, at the start of each of the next three university years, scholarship cheques are sent to eligible students.

6. The amounts of these scholarships are determined by dividing the number of eligible students into the amount of funds in the scholarship trust account for that year. These scholarships are based on an average of all university expenses such as tuition, room and board, academic fees, including registration, laboratory, library and graduation fees, books, transportation, campus activities, etc. The Foundation in making its determination in this regard, is required to consult with and act on the advice of a committee composed of not less than three faculty members of a recognized university.

All children are eligible for enrolment. The child need only meet prevailing university entrance requirements and maintain passing grades. No competitive examinations are necessary to obtain the scholarship benefits from this program.

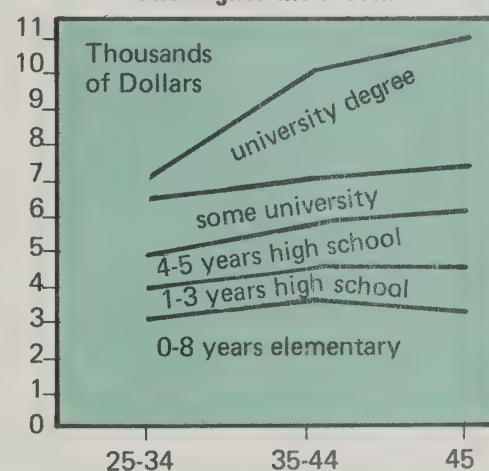
If the parent wishes to discontinue participation in the program, he must simply notify University Scholarships of Canada in writing. The child's name will then be removed from the registrar's records and all deposits will be returned, less the applicable amount of the enrolment fee.

Although the child must of course meet the necessary entrance requirements at the university of his choice, he may utilize the benefits from the fund to attend any recognized university anywhere in the world. The child may transfer from one university to another and still maintain his scholarship. This is especially important if the child is engaged in science or engineering studies. The child may also wish to attend some specialized university classes, perhaps outside of Canada, or at a university other than the one where the child will

actually receive his degree. This is possible under the plan.

If a parent who is under 45 years of age when he subscribes should pass away before the program is completed, his child will still participate in the plan benefits for his second, third and fourth years of university without any further deposits being made. The estate would be entitled on maturity to those deposits made up to the time of his death. When the parent is over the age of 45 at the time of enrolment the child would participate in the benefits under the plan only if the balance of the deposits are paid according to schedule. An optional insurance fee assures that there will be a minimum of \$2,000 available to assist in paying for the first year of university. The only requirement is that the parent at the time of enrolment be under 45 years of age. No medical examination of the parent is required.

**The Higher the Education
The Higher the Income**



A university graduate averages approximately \$5,000 more income per year than a high school graduate and \$7,000 more per year than an elementary school graduate.

Based on a report by the Economic Council of Canada.

Earnings and Retained Earnings

Superpack Corporation Limited and Subsidiary Companies
Consolidated Statement of Earnings and Retained Earnings
Year Ended November 30, 1970 With 1969 Comparisons

	1970	1969
GROSS OPERATING REVENUES	\$11,119,665 ✓	\$10,320,004 ✓
EARNINGS BEFORE PROVISION FOR UNDERNOTED ITEMS	\$ 1,229,532	\$ 1,447,846
Depreciation of fixed assets	414,995	420,240
Amortization of intangible assets and deferred charges	71,017	162,655
Interest (including interest of \$197,649 on long-term debt; 1969 — \$106,637)	224,030	112,551
Provision for income taxes — Current	227,633	382,381
— Deferred	51,337	(5,040)
NET EARNINGS BEFORE EXTRAORDINARY ITEM	\$ 240,520 ✓	\$ 375,059 ✓
Add (deduct) extraordinary item		
Loss on revaluation of foreign currencies	(\$ 36,812) ✓	\$ —
Income tax reductions realized on loss carried forward	—	68,538 ✓
	(\$ 36,812)	\$ 68,538
NET EARNINGS	\$ 203,708 ✓	\$ 443,597 ✓
RETAINED EARNINGS		
Balance — beginning of year	1,820,233	1,376,636
Balance — end of year	\$ 2,023,941	\$ 1,820,233
EARNINGS PER SHARE ON		
Net earnings before extraordinary item	\$ 0.42 ✓	\$ 0.68 ✓
Net earnings	\$ 0.35 ✓	\$ 0.80 ✓
AVERAGE NUMBER OF SHARES OUTSTANDING	574,722	550,625

The accompanying notes form an integral part of these consolidated financial statements.

Funds

Superpack Corporation Limited and Subsidiary Companies
Consolidated Statement of Source and Application of Funds
Year Ended November 30, 1970 With 1969 Comparisons

Source of Funds	1970	1969
Operations		
Net earnings	\$ 203,708	\$ 443,597
Add — Depreciation and amortization	494,537	591,420
	\$ 698,245	\$1,035,017
Less — Recovery of deferred income taxes applicable to non-current items	26,572	5,040
	\$ 671,673	\$1,029,977
Increase in long-term debt	1,504,809	—
Proceeds of share issue	130,185	90,450
Realization of investments	1,692	5,486
TOTAL FUNDS PROVIDED	\$2,308,359	\$1,125,913
Application of Funds	1970	1969
Acquisition of shares of subsidiary company, less working capital at date of acquisition	\$1,343,554	\$ —
Purchase of fixed assets	549,278	352,881
Repayment of long-term debt	352,816	49,909
TOTAL FUNDS APPLIED	\$2,245,648	\$ 402,790
INCREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	\$ 62,711	\$ 723,123

The accompanying notes form an integral part
of these consolidated financial statements.

Balance Sheet

Superpack Corporation Limited and Subsidiary Companies

Consolidated Balance Sheet

November 30, 1970 With 1969 Comparisons

ASSETS	1970	1969
CURRENT ASSETS		
Cash	\$ 43,372	\$ 79,601
Short-term deposits	—	246,058
Accounts receivable	1,388,857	1,430,534
Enrolment fees receivable (note 3)	1,085,425	—
Inventories — at the lower of cost or net realizable value	1,240,281	1,292,220
Due from officers	—	6,223
Prepaid expenses and sundry assets	132,064	65,629
	<u>\$3,889,999</u>	<u>\$3,120,265</u>
FIXED ASSETS — at cost less accumulated depreciation of \$2,738,085; 1969 — \$2,932,116 (note 4)	<u>\$1,798,026</u>	<u>\$1,598,112</u>
INVESTMENTS (including investments of \$200 in unconsolidated subsidiaries (note 1)) — at cost	<u>\$ 24,190</u>	<u>\$ 25,882</u>
OTHER ASSETS		
Excess of cost of shares of subsidiaries over book value of net tangible assets (note 2)	\$5,005,900	\$1,287,977
Patent rights, licensing agreements and restrictive covenants (less amortization)	831,482	897,676
Costs of organization and issue of capital stock and debentures (less amortization)	16,946	30,294
	<u>\$5,854,328</u>	<u>\$2,215,947</u>
TOTAL ASSETS	<u>\$11,566,543</u>	<u>\$6,960,206</u>

Approved on behalf of the Board:

"I. GOULD" Director

"T.D. RICHMOND" Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Superpack Corporation Limited and subsidiary companies as at November 30, 1970 and the related consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination of Superpack Corporation Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

With respect to the financial statements of the subsidiary companies we relied upon the reports of other independent auditors.

LIABILITIES	1970	1969
CURRENT LIABILITIES		
Bank indebtedness (note 5)	\$ 561,865	\$ 109,241
Accounts payable and accrued liabilities	1,010,408	822,451
Payroll deductions and sales taxes	70,468	75,304
Income taxes payable	115,255	336,482
Loans payable	30,105	—
Long-term debt due within one year (note 6)	549,816	24,869
Deferred income taxes (note 3)	262,400	—
	<u>\$ 2,600,317</u>	<u>\$1,368,347</u>
LONG-TERM DEBT (note 6)	<u>\$ 4,489,646</u>	<u>\$1,422,600</u>
DEFERRED INCOME TAXES	<u>\$ 8,849</u>	<u>\$ 35,421</u>
	<u>\$ 7,098,812</u>	<u>\$2,826,368</u>
TOTAL LIABILITIES		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)	\$ 2,443,790	\$2,313,605
RETAINED EARNINGS	2,023,941	1,820,233
	<u>\$ 4,467,731</u>	<u>\$4,133,838</u>
	<u>\$11,566,543</u>	<u>\$6,960,206</u>

The accompanying notes form an integral part of these consolidated financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Accountants.

Toronto, Canada, April 16, 1971.

Notes

Superpack Corporation Limited and Subsidiary Companies
Notes to Consolidated Financial Statements
November 30, 1970

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all the wholly-owned subsidiary companies except two inactive companies, the investments in which are recorded at nominal value on the consolidated balance sheet. The earnings of the subsidiary acquired during the year (see note 2) have been included from April 3, 1970.

Currencies other than Canadian have been translated into Canadian dollars on the following bases:

Current assets and liabilities — at the rate of exchange November 30;

Other assets and liabilities — at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses — at average rates of exchange except provisions for depreciation and amortization which are translated on the same basis as the related assets.

2. ACQUISITION OF SUBSIDIARY

By agreement dated March 6, 1970, as amended April 3, 1970, the Company purchased all of the issued and outstanding shares of the capital stock of Scholarship Consultants of North America Ltd. for an aggregate purchase price of \$3,950,000. Of this amount, \$1,450,000 was paid on April 3, 1970, the date of closing, with the balance of \$2,500,000 payable without interest to the vendors, including two directors, commencing November 29, 1972 in annual instalments based on net earnings of the subsidiary for the second last completed fiscal year immediately preceding the date or payment of each such instalment, the first seven instalments to be equal to 100% of such net earnings and any remaining instalments to be equal to 50% of such net earnings. The first instalment amounts to \$71,540 of which \$60,000 was paid during the year and the balance of \$11,540 is payable November 29, 1972. In addition, pursuant to the terms of the agreement, certain of the vendors received on closing Series "B" warrants entitling the holders thereof to purchase 100,000 common shares in the capital of the Company as set out in note 7(b)(iv).

As a result of the foregoing acquisition, Excess of Cost of Shares of Subsidiaries Over Book Value of Net Tangible Assets has been increased by an amount of \$3,717,923.

3. ENROLMENT FEES

Enrolment fees receivable consists of the following:

Receivable from trust company	\$	38,863	
Subscribed for but not received by trust company, including amounts due after one year		1,162,847	\$1,201,710
Less — Allowance for cancellations		116,285	
			<u>\$1,085,425</u>

A subsidiary company, Scholarship Consultants of North America Ltd. (see note 2), solicits and administers scholarship agreements under the University Scholarships of Canada program on behalf of The International Scholarship Foundation, a non-profit organization. By virtue of various agreements, the company is entitled to the enrolment fees under the scholarship savings program and assumes liability for all operating and administrative expenses of the Foundation.

The company follows the policy of taking into income the full enrolment fee to which it is entitled at the time each scholarship agreement is subscribed. By the terms of the various scholarship agreements, all or a portion of the enrolment fees collected must be rebated to the subscribers if the agreements are terminated by the subscribers within certain specified periods following the initial deposit. Also, the full enrolment fee is receivable in instalments over varying periods up to 18 months in most cases (in a limited number of cases, up to 30 months), during which periods a portion of the total enrolment fee is forfeited if the agreement is cancelled by the subscriber.

For income tax purposes, enrolment fees are not taxable until collected by the trust company acting as depository under the program. Accordingly the financial statements reflect a provision for deferred income taxes (\$262,400) as a current liability in respect of enrolment fees not yet received by the trust company, reduced by income tax losses resulting from this timing difference.

4. FIXED ASSETS

	Cost	Accumulated depreciation	Net
Land	\$ 75,054	\$ —	\$ 75,054
Building	254,253	8,290	245,963
Vending units	1,582,668	1,005,382	577,286
Machinery, equipment, furniture and fixtures	1,815,134	1,099,575	715,559
Tools and dies	520,071	478,023	42,048
Vehicles	74,025	37,600	36,425
Leasehold improvements	214,906	109,215	105,691
	<u>\$4,536,111</u>	<u>\$2,738,085</u>	<u>\$1,798,026</u>

Depreciation of fixed assets is provided on the "straight-line" method based on the estimated useful life of such assets.

5. BANK INDEBTEDNESS

Bank indebtedness is secured by assignments of enrolment fees receivable, accounts receivable and inventories.

6. LONG-TERM DEBT

Long-term debt as of November 30, 1970 consists of the following:

6% convertible, secured sinking fund debentures, maturing March 31, 1972 (see details below)	\$1,386,234
Note payable (U.S. \$920,000) secured by the accounts receivable, inventories, and certain equipment of a subsidiary, at interest adjusted to reflect variations to prime rate (effective rate at November 30, 1970 — 11.7%) and maturing October 1972. In addition, the shares of the subsidiary have been pledged to the lender as collateral security	961,383
6% mortgage payable, (U.S. \$32,750) secured by real estate of a subsidiary and maturing July 1973	34,505
10% bank loan (U.S. \$37,270) secured by certain equipment of a subsidiary and maturing April 1973	38,679
10% unsecured income debenture bonds, (U.S. \$33,000) maturing January 1971	33,661
12% unsecured notes payable to directors, maturing September 1972	145,000
Balance due on acquisition of shares of a subsidiary, secured by a pledge of such shares (see note 2)	2,440,000
	<u>\$5,039,462</u>
Less — Amounts due within one year	549,816
	<u>\$4,489,646</u>

The 6% debentures are subject to the provisions of a Trust Indenture dated March 31, 1962, which provides, among other things, that the debentures, as of November 30, 1970, are:

- secured by a floating charge on the assets of the Company and its subsidiaries,
- redeemable under certain conditions at a premium of 5/8% up to March 31, 1971 and at no premium thereafter and up to maturity,
- convertible under certain conditions at the holder's option at one share per each \$21.25 principal amount up to March 31, 1971, and one share per each \$22.50 principal amount thereafter and up to maturity.

Except for the amounts required for payment of the amount of \$2,440,000 due on acquisition of a subsidiary (see note 2), the aggregate amount of payments required in each year to retire long-term debt is estimated as follows:

Year ended November 30, 1971	\$ 549,816
1972	1,887,756
1973	161,890

7. CAPITAL STOCK

(a) Authorized and issued capital stock as at November 30, 1970

Preference	Number of shares	Amount
Authorized — 50,000, 6%, cumulative shares, redeemable at \$20.50, par value \$20 each		
Issued and outstanding, nil	—	\$ —
Common		
Authorized — 1,000,000 shares without par value		
Issued and outstanding		
Issued at December 1, 1969	564,637	2,313,605
Issued for cash under employees' share option plan	13,150	130,185
Issued at November 30, 1970	<u>577,787</u>	<u>\$2,443,790</u>

(b) Reservations of common shares

- (i) 65,235 shares are reserved for possible conversion of debentures (see note 6).
- (ii) as at November 30, 1970, 11,850 shares were reserved under an employees' stock option plan pursuant to which options at \$9.90 per share were granted exercisable at any time up to October 8, 1971.
- (iii) 25,000 shares have been reserved under the terms of a warrant indenture dated April 3, 1970. This indenture entitles the holders of Series "A" warrants issued thereunder to purchase 25,000 common shares at the price of \$15.50 per share at any time up to the close of business on

April 3, 1973. These warrants were issued as consideration for the granting of a loan to a subsidiary in the amount of \$1,200,000 (U.S.) (of which \$920,000 (U.S.) is outstanding as at November 30, 1970).

- (iv) 100,000 shares have been reserved under the terms of a supplemental warrant indenture dated April 3, 1970. This supplemental indenture entitles the holders of the Series "B" warrants issued thereunder to purchase 100,000 common shares at the price of \$15.50 per share at any time up to the close of business on April 3, 1975 (see note 2).

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Executive officers' salaries aggregated \$227,700 during the year.

9. LEASE COMMITMENTS

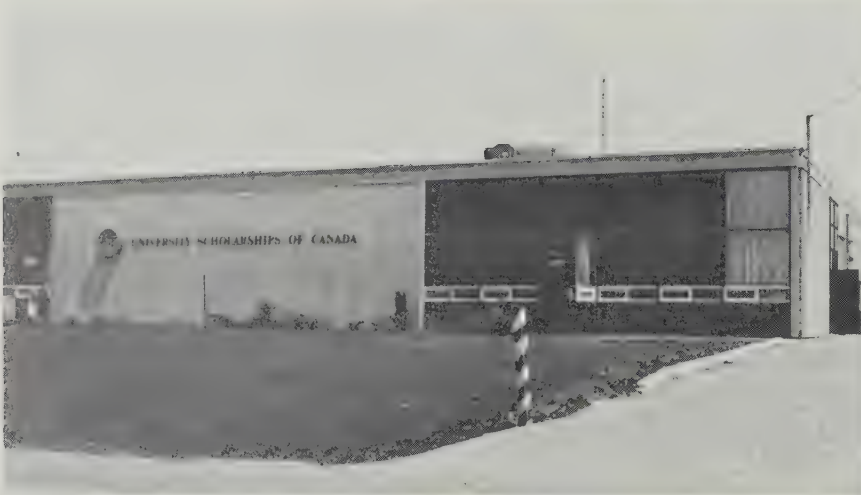
The Company and its subsidiaries, as the lessees of leasehold properties, have contractual obligations for minimum annual rental payments of approximately \$220,000 under leases which have varying terms up to 1982.

Financial Summary

Ten Year Combined Financial Summary in Canadian Funds

Year End November 30	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Gross Operating Revenues	\$11,119,665	\$10,320,004	\$10,622,673	\$10,303,022	\$9,929,648	\$10,413,190	\$9,110,775	\$8,536,326	\$7,060,064	\$4,400,000
Gross earnings	1,229,532	1,447,846	1,619,265	1,300,414	962,580	830,438	630,832	794,570	826,463	391,619
Depreciation and amortization	486,012	582,895	613,240	628,675	568,424	595,423	497,878	354,005	128,605	59,652
Interest	224,030	112,551	209,431	252,685	181,327	149,845	182,551	175,815	100,956	8,063
Income taxes	278,970	377,341	378,273	29,348	12,500	12,428	(71,118)	(35,432)	195,181	147,462
Net earnings (before extraordinary item)	240,520	375,059	418,321	389,706	200,329	72,742	21,521	300,182	401,721	176,442
Extraordinary item	(36,812)	68,538	200,203	—	—	—	—	—	—	—
Net earnings	203,708	443,597	618,524	389,706	200,329	72,742	21,521	300,182	401,721	176,442
Earnings per share on —										
Net earnings before extraordinary item	0.42	0.68	0.83	0.78	0.40	0.15	0.04	0.60	0.80	0.35
Net earnings	0.35	0.80	1.23	0.78	0.40	0.15	0.04	0.60	0.80	0.35
Funds provided by operations, per share	1.17	1.87	2.44	2.00	1.54	1.33	1.04	1.31	1.06	0.47
Shareholders' Equity	4,467,731	4,133,838	2,889,691	2,281,796	1,892,090	2,136,300	2,117,785	2,170,363	1,883,224	1,481,503
Average number of shares outstanding during year	574,722	550,625	502,025	501,005	501,005	501,005	501,005	501,005	501,005	501,005

In 1969, the Company retroactively changed its method of accounting for income taxes. This retroactive change is not reflected in the above financial summary for years prior to 1968.



Directors

Guido Brina
Monmouth Beach, New Jersey
Leslie L. Cahan
Toronto, Ontario
Irving Gould
Toronto, Ontario
Stanley Heller
Toronto, Ontario
Herbert W. Marache, Jr.
New Canaan, Connecticut
David M. Perlmutter
Toronto, Ontario
Theodore D. Richmond
Toronto, Ontario

Officers

Irving Gould
Chairman of the Board
Theodore D. Richmond
President
Guido Brina
Vice-President
Herman C. Vinnet
Vice-President of Finance and Secretary
Gerald Papernick
Treasurer and Assistant Secretary

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Perlmutter, Orenstein, Giddens, Newman
& Co.

General Counsel

Manning, Bruce, MacDonald & MacIntosh

Head Office

254 Bartley Drive
Toronto 375, Ontario

Head Office
254 Baitley Drive
Toronto 375, Ontario

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Toronto, Ontario
Stanley Heller
Toronto, Ontario
Irving Gould
Toronto, Ontario
Leslie L. Cahen
Monmouth Beach, New Jersey
Guido Brina

Directors



Superpack Group of Companies (Wholly-owned Subsidiaries and Divisions)

Canada

Nortex Products Company — Toronto, Ontario; Montreal, Quebec; Vancouver, British Columbia

Scholarship Consultants of North America Ltd. — Toronto, Ontario;

St. John's, Newfoundland; Halifax, Nova Scotia; Quebec City, Quebec; Montreal, Quebec; Ottawa, Ontario; Hamilton, Ontario; London, Ontario; Windsor, Ontario; Winnipeg, Manitoba; Saskatoon, Saskatchewan; Calgary, Alberta; Edmonton, Alberta; Vancouver, British Columbia; Victoria, British Columbia

Superpack Vending Company — Toronto, Ontario

Canbar Distributors Limited — Montreal, Quebec

United States of America

Scientific Packaging Corporation

- Elizabeth, New Jersey
- St. Louis, Missouri
- Los Angeles, California

Coin-Op Sales Corporation

- Elizabeth, New Jersey

United Kingdom

Nortex of Canada Limited — Hounslow, England;

Manchester, England; Sheffield, England; Birmingham, England; Bristol, England; Newcastle, England; Glasgow, Scotland

Bahamas Islands

Superpack Vending (Curacao) NV

Limited — Nassau, New Providence Island

Superpack Vending Company (Nassau)

Limited — Nassau, New Providence Island

